



A Summary of the Process of a 1031 Exchange

The regulations, court cases and IRS rulings affecting 1031 Real Estate Exchanges are ever-changing. Here are six primary rules you need to follow to comply with IRS regulations:

1. **Real Estate Property Use.** Both your old and new properties must qualify as investment or business use. If both properties pass this test, you can exchange nearly any type of real estate.
2. **45 Day Identification Period.** You have 45 days from the closing of your sale of your old property to list the properties you may want to buy. There are no exceptions to this deadline.
3. **180 Day Exchange Period.** From the sale closing date of your old property, you have 180 days to close on the purchase of one or more of the properties listed on your 45-day list. Again, there are no exceptions to this deadline.
4. **Qualified Intermediary.** The IRS mandates that you use a qualified intermediary to prepare the legal documents for your exchange. Because the qualified intermediary must be independent, it cannot be your accountant, broker, friend or attorney. The qualified intermediary also holds your money, so that you do not have access to it.
5. **Prepare Title Holding.** You must purchase and take title to your new property(s) exactly as you held title to your old property.
6. **Reinvestment Requirement.** To defer all of your capital gain tax, you must buy a property(s) equal or higher in value than the one you sold. Also, you must reinvest all of the cash proceeds from the sale of your old property.